

**THE CHICAGO PHILHARMONIC SOCIETY**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2024**

THE CHICAGO PHILHARMONIC SOCIETY

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AND INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Chicago Philharmonic Society  
226 S Wabash Ave, Floor 10  
Chicago, IL 60604

### Opinion

We have audited the accompanying financial statements of The Chicago Philharmonic Society, which comprise the statements of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Philharmonic Society as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Chicago Philharmonic Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Philharmonic Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Chicago Philharmonic Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Philharmonic Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited The Chicago Philharmonic Society's 2023 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PORTE BROWN LLC  
Certified Public Accountants



Elk Grove Village, Illinois  
May 2, 2025

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(with comparative totals for June 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 202,485	\$ 140,652
Grants and contributions receivable	27,761	10,000
Accounts receivable	-	7,990
Prepaid expenses	42,102	18,905
Other receivable	<u>74,262</u>	<u>41,286</u>
	<u>346,610</u>	<u>218,833</u>
<b>FIXED ASSETS</b>		
Property and equipment	61,378	61,378
Less: Accumulated depreciation	<u>(41,974)</u>	<u>(29,406)</u>
	<u>19,404</u>	<u>31,972</u>
<b>OTHER ASSETS</b>		
Deposits	9,000	9,000
Investments	583,085	646,204
Operating lease right-of-use-assets	<u>38,452</u>	<u>89,249</u>
	<u>630,537</u>	<u>744,453</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 996,551</u></b>	<b><u>\$ 995,258</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 40,892	\$ 9,509
Accrued expenses	<u>141,091</u>	<u>103,129</u>
Contract liability, concert admissions	-	2,183
Refundable advance	25,000	-
Current portion of operating lease liabilities	<u>38,032</u>	<u>51,133</u>
Current portion of long-term debt	<u>13,917</u>	<u>13,777</u>
	<u>258,932</u>	<u>179,731</u>
<b>LONG-TERM OBLIGATIONS</b>		
Long-term debt, net of current portion included above	10,008	23,926
Operating lease liabilities, net of current portion	<u>-</u>	<u>38,032</u>
	<u>10,008</u>	<u>61,958</u>
<b>NET ASSETS</b>		
Without donor restrictions	337,611	385,505
With donor restrictions	<u>390,000</u>	<u>368,064</u>
	<u>727,611</u>	<u>753,569</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 996,551</u></b>	<b><u>\$ 995,258</u></b>

The accompanying notes are an integral part of these financial statements

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

(with summarized comparative totals for the year ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES AND SUPPORT</b>				
Program service revenue - orchestral services	\$ 1,492,665	\$ -	\$ 1,492,665	\$ 1,732,270
Program service revenue - concert admissions	82,226	-	82,226	201,969
Grants and contributions	845,277	25,000	870,277	403,953
In-kind contributions	-	-	-	1,300
Investment income, net	46,288	-	46,288	50,964
Net assets released from restriction	3,064	(3,064)	-	-
	<u>2,469,520</u>	<u>21,936</u>	<u>2,491,456</u>	<u>2,390,456</u>
<b>EXPENSES</b>				
Program services	1,968,199	-	1,968,199	2,549,696
Management and general	400,647	-	400,647	281,942
Fundraising services	148,568	-	148,568	202,958
	<u>2,517,414</u>	<u>-</u>	<u>2,517,414</u>	<u>3,034,596</u>
<b>CHANGE IN NET ASSETS</b>				
	(47,894)	21,936	(25,958)	(644,140)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>385,505</u>	<u>368,064</u>	<u>753,569</u>	<u>1,397,709</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 337,611</u>	<u>\$ 390,000</u>	<u>\$ 727,611</u>	<u>\$ 753,569</u>

The accompanying notes are an integral part of these financial statements

**THE CHICAGO PHILHARMONIC SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

(with summarized comparative totals for the year ended June 30, 2023)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising Services</b>	<b>2024 Total</b>	<b>2023 Total</b>
<b>EXPENSES</b>					
Personnel	\$ 1,785,042	\$ 170,694	\$ 107,467	\$ 2,063,203	\$ 2,492,397
Advertising and marketing	24,782	77,632	-	102,414	107,630
Concert production costs	110,456	-	-	110,456	206,246
Depreciation and amortization	11,770	490	308	12,568	12,183
Donor gathering and communications	-	-	24,840	24,840	-
Insurance	-	5,915	-	5,915	5,300
Occupancy	31,332	19,556	12,312	63,200	64,719
Office	4,817	3,267	3,641	11,725	30,698
Professional fees	-	94,891	-	94,891	114,348
Travel	-	27,890	-	27,890	-
Interest	-	312	-	312	1,075
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,968,199</u></b>	<b><u>\$ 400,647</u></b>	<b><u>\$ 148,568</u></b>	<b><u>\$ 2,517,414</u></b>	<b><u>\$ 3,034,596</u></b>

The accompanying notes are an integral part of these financial statements

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

(with comparative totals for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (25,958)	\$ (644,140)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	12,568	12,183
Gain on investments	(43,348)	(50,887)
Reduction of right-of-use-assets	50,797	50,397
Changes in:		
Grants and contributions receivable	(17,761)	56,587
Accounts receivable	7,990	265,850
Prepaid expenses	(23,197)	(12,451)
Other receivable	(32,976)	(41,286)
Deposits	-	500
Accounts payable	31,383	(52,463)
Accrued expenses	37,962	(86,385)
Contract liability, concert admissions	(2,183)	(19,517)
Operating lease liabilities	(51,133)	(49,224)
Refundable advance	25,000	(25,000)
Net cash used by operating activities	<u>(30,856)</u>	<u>(595,836)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(6,660)
Proceeds from sale of investments	257,264	-
Purchase of investments	<u>(150,797)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>106,467</u>	<u>(6,660)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(13,778)</u>	<u>(13,008)</u>
Net cash used by financing activities	<u>(13,778)</u>	<u>(13,008)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>61,833</u>	<u>(615,504)</u>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>140,652</u>	<u>756,156</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 202,485</b></u>	<u><b>\$ 140,652</b></u>
<b>SUPPLEMENTAL INFORMATION TO CASH FLOWS</b>		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	312	1,075
Non-cash activities:		
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ 139,646
Increase in fair value of investments	52,627	38,452

The accompanying notes are an integral part of these financial statements

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE A – NATURE OF OPERATIONS**

The Chicago Philharmonic Society (the "Society") is an Illinois nonprofit organization that operates orchestral and chamber music ensembles based in Chicago, Illinois. The Society's primary purpose is the promotion and appreciation of orchestral and chamber music among the general public. Revenues are primarily derived from contract services, ticket sales and contributions.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### BASIS OF ACCOUNTING

The Society maintains records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

#### FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Society reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets without Donor Restrictions** – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions and providing services less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Net Assets with Donor Restrictions** – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of donated assets, either temporarily or permanently, until the donor restriction expires, the net assets are restricted.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional allocation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUE RECOGNITION**

The Society derives its revenue primarily from contributions. In accordance with FASB ASC 958-605-25 “Not-for-Profit Entities Revenue Recognition” contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair market values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605 requires not-for-profit organizations to distinguish between contributions received that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Orchestral services represent fees for orchestral support to local, national and international arts organizations and businesses. Each performance represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the performance. Invoices for orchestral services revenue are billed immediately following the performance.

Concert admission revenue represents ticket revenue for performances put on by the Society. Each concert represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the concert. Tickets are typically sold in advance of performances and recorded as contract liability, concert admissions until completion of the concert.

The following table disaggregates the Society’s revenue from contracts with customers and noncontractual revenue for the years ended June 30, 2024 and 2023:

	2024	2023
Contracts with customers	\$ 1,574,891	\$ 1,934,239
Noncontractual revenues	<u>916,565</u>	<u>456,217</u>
	<u><u>\$ 2,491,456</u></u>	<u><u>\$ 2,390,456</u></u>

All revenues resulting from contracts with customers are revenue from performance obligations satisfied at a point in time.

The balances of contract receivables and liabilities from contracts with customers are as follows:

	June 30, 2024	June 30, 2023	July 1, 2023
Accounts receivable	\$ -	\$ 7,990	\$ 273,840
Contract liability, concert admissions	- -	2,183	21,700

No impairment losses were incurred in the years ended June 30, 2024 and 2023 with respect to contract assets arising from contracts with customers.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PROMISES TO GIVE**

Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**NET ASSETS WITHOUT DONOR IMPOSED RESTRICTIONS**

Net assets without donor restrictions are those funds presently available for use by or on behalf of the Society, including amounts available for general and administrative expenses. These net assets without donor restrictions may also include board-designated amounts.

Board designated amounts consist of:

	2024	2023
Endowment funds	<u>\$ 67,288</u>	<u>\$ 281,204</u>

**DONOR IMPOSED RESTRICTIONS**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions which increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Society reports the support as without donor restrictions.

Net assets with donor restrictions are available for the following:

	2024	2023
Purpose restrictions, available for spending:		
AMP program	\$ -	\$ 3,064
Time restrictions, some of which may also be subject to purpose restrictions:		
Restricted for use in FY25	25,000	-
Endowment funds		
Endowment not subject to spending policy or appropriation	<u>365,000</u>	<u>365,000</u>
	<u>\$ 390,000</u>	<u>\$ 368,064</u>

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### DONOR IMPOSED RESTRICTIONS (Continued)

Net assets released from restriction during the years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
AMP program	\$ 3,064	\$ 4,202
Intern program	-	16,565
	<u>\$ 3,064</u>	<u>\$ 20,767</u>

##### IN-KIND CONTRIBUTIONS

The Society receives significant in-kind contributions of advertising services and concert production costs related to program operations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. The Society recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

The Society received \$0 and \$1,300 contributions of nonfinancial assets for the years ended June 30, 2024 and 2023, respectively.

##### EXPENSE RECOGNITION AND ALLOCATION

The Society allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel, related expenses, depreciation and amortization, insurance, occupancy, office, and professional development expenses which are allocated on the basis of estimates of time and effort.

##### CASH AND CASH EQUIVALENTS

The Society considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

##### CONCENTRATION OF CREDIT RISK

At various times throughout the year, the Society has cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Society to credit risk if the banking institution fails. It is of the opinion of management that the solvency of the referenced financial institutions is not of a particular concern at this time.

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consists of payments due from various Corporations and Foundations. The Society considers grants receivable to be fully collectible. Grants receivable are valued at management's estimate of the amount that will ultimately be collected.

##### ACCOUNTS RECEIVABLE

Trade accounts receivable is measured at amortized cost and do not bear interest, on short-term basis. The Society records an allowance for lifetime credit losses that are expected to be incurred as of the date that a receivable is originated. The allowance reduces the carrying amount of the receivables to the net amount expected to be collected over the assets' contractual term. The determination of the allowance requires management to collectively evaluate receivables by classifying them into pools that share similar risk characteristics such as risk rating, type of receivable, size of the receivable, and date of origination (vintage), etc. while individually evaluating such assets, if any, that do not possess risk characteristics similar to those in the identified pools. The Society has designed and implemented credit-granting policies and standards intended to mitigate credit risk. Credit risk is assessed on an ongoing basis using both quantitative and qualitative analysis. Based on this analysis, credit limits are imposed, and a decision is made whether to use one or more credit support protection devices as management deems necessary. Trade receivables are \$0 as of June 30, 2024, and therefore, no allowance for credit losses was recorded. For the year ending June 30, 2023, management deemed the outstanding balance of \$7,990 collectible and did not record an allowance for bad debts.

##### OTHER RECEIVABLE

As of June 30, 2024, Other receivable consisted of a refund due for workers compensation premiums of \$1,830, and a prepayment of state unemployment costs of \$72,432 held by the state due to a classification error at IDES. The \$72,432 is offset by a reserve liability of the same amount for future unemployment claims. As of June 30, 2023, Other receivable of \$41,286 consisted of a similar prepayment of state unemployment costs, which was also offset by a reserve liability of the same amount for future unemployment claims held by the state.

##### FIXED ASSETS

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets. The Society has adopted a policy to capitalize assets using a \$1,000 threshold. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FIXED ASSETS** (Continued)

Major classifications of property and equipment and their respective lives are summarized below:

	<u>Lives in Years</u>	<u>2024</u>	<u>2023</u>
Equipment	3 - 7	\$ 5,165	\$ 5,165
Website	5	<u>56,213</u>	<u>56,213</u>
		<u>\$ 61,378</u>	<u>\$ 61,378</u>

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

**INVESTMENTS**

Investment securities are stated at fair value based on quoted market prices or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value and are reported as a component of investment income. Realized gains and losses are recognized using the average cost method and are reported as a component of investment income. In addition, external and direct internal expenses relating to investment activities have been netted against investment income.

Investment income (loss) includes the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 4,578	\$ 3,223
Realized (loss)/gain on sale of investments	(9,279)	11,446
Unrealized gain on investments	52,627	38,452
Investment management expenses	<u>(1,638)</u>	<u>(2,157)</u>
	<u>\$ 46,288</u>	<u>\$ 50,964</u>

**INCOME TAXES**

The Society is generally exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Accordingly, no provision for income tax expense is included in the accompanying financial statements. The Society has adopted the provision of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Society files information returns in the U.S. federal jurisdiction, and the State of Illinois. Management is not aware of any uncertain tax positions.

**RECLASSIFICATIONS**

Reclassifications occurred to certain prior year amounts in order to conform with the current year classifications. The reclassifications have no effect on reported change in net assets.

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### SUBSEQUENT EVENTS

The Society has evaluated subsequent events through May 2, 2025, the date which the financial statements were available to be issued.

#### NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Society considers all expenditures related to its ongoing program activities, as well as the services undertaken to support those activities to be general expenditures. The Society regularly monitors liquidity required to meet its operation needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the financial assets available to meet general expenditures over the next year, the Society operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

The following table show the total financial assets held by the Society and the amounts of which could readily be made available within one year of June 30, 2024 and 2023 to meet general expenditures:

	2024	2023
Cash and cash equivalents	\$ 202,485	\$ 140,652
Grants and contributions receivable	27,761	10,000
Accounts receivable	-	7,990
Other receivable	74,262	41,286
Investments	<u>583,085</u>	<u>646,204</u>
Total financial assets	887,593	846,132
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions	(390,000)	(368,064)
Board designations	<u>(67,288)</u>	<u>(281,204)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 430,305</u>	<u>\$ 196,864</u>

The Society's Board-designated endowment is subject to an annual spending rate of 4% to 5% as determined by the Board. Although management does not intend to spend from this Board-designated endowment, other than amounts appropriated for operating expenditure as part of the Board's annual budget approval and appropriation, these amounts could be available if necessary.

#### NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2     Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Society's investment in the Fund represents its allocable share in the Fund and is measured at fair value using the net asset value per share (NAV) practical expedient and has not been categorized in the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient:

Investment	June 30, 2024	June 30, 2023	Unfunded commitment	Redemption frequency	Redemption notice period
Jewish Federation Pooled Endowment Fund	\$ 432,288	\$ 646,204	N/A	Monthly	15-30 days

**THE CHICAGO PHILHARMONIC SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D – FAIR VALUE MEASUREMENTS (Continued)**

The Fund combines the Society's investment with the holdings of other entities, and then invests in the pooled amount. The Fund's investments consists of the following categories as of June 30, 2024 and 2023:

	2024	2023
Cash	6%	3%
Fixed income	15	11
Global equity	42	42
Hedge funds	16	14
Private equity	21	30
	<u>100%</u>	<u>100%</u>

Assets at fair value as of June 30, 2024 consist of:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 148,437	\$ -	\$ -	\$ 148,437
Mutual and exchange traded funds	<u>2,360</u>	<u>-</u>	<u>-</u>	<u>2,360</u>
	<u><u>\$ 150,797</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,797</u></u>

**NOTE E – LONG-TERM DEBT**

Long-term debt consists of the following:

	2024	2023
In March 2021, the Society applied for and received a second PPP loan in the amount of \$300,000 (PPP 2). The Society elected to account for PPP 2 under the government grant model and recognized \$149,354 and \$99,935 of PPP 2 as grant revenue related to qualifying expenses incurred during the years ended June 30, 2022 and 2021, respectively. The Society received notice from the SBA in July 2022 that \$249,289 of the loan was forgiven. The balance of \$50,711 is outstanding at June 30, 2022. PPP 2 has a maturity date of March 25, 2026 and bears interest at a rate of 1% per year.	\$ 23,925	\$ 37,703
Less current portion	<u>(13,917)</u>	<u>(13,777)</u>
Long-term portion	<u><u>\$ 10,008</u></u>	<u><u>\$ 23,926</u></u>

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE E – LONG-TERM DEBT (Continued)

The total debt maturing in years subsequent to June 30, 2024 is as follows:

Year-ending June 30,

2025	\$ 13,917
2026	<u>10,008</u>
	<u>\$ 23,925</u>

#### NOTE F – MULTIEMPLOYER PENSION PLAN

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$153,414 and \$186,087 for the years ended June 30, 2024 and 2023, respectively, were charged to operations for the Society's ongoing participation in this defined-benefit plan. The inherent risk of participating in this defined-benefit plan is that under current law regarding the multiemployer benefit plans, a plan's termination, the Society's voluntary withdrawal or mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Society to make payments to the plan for the Society's proportionate share of the multiemployer plan's unfunded vested liabilities.

The Society's participation in this multiemployer plan for the years ended June 30, 2024 and 2023 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2024 is for the plan's year ended December 31, 2023. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded.

The "FIP/RP Status Pending/Implemented" column indicates plans for which financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund Name/ EIN and Plan Number	Plan Year Ended/ PPA Zone Status	FIP/RP Status	Company Contributions 2024	Company Contributions 2023	Expiration Date of Collective Bargaining Agreement
American Federation of Musicians and Employers' Pension Plan 51-6120204-001	12/31/2023 Red	Yes - Implemented	\$ 153,414	\$ 186,087	11/13/2026

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE G – LEASE COMMITMENTS

The Society has entered into a lease commitment on a building used for its activities. The current terms of the lease provide for annual rents of \$52,514 payable monthly. The Society may also be responsible for operating expenses and real estate taxes, which exceed the base year defined in the lease. The expiration date of the lease is March 31, 2025, which was subsequently renewed through March 31, 2029. The lease contains an option to renew with renewal terms that can extend the lease term for an additional two years. The exercise of the lease renewal option is at Society's sole discretion. The financial statements do not include operating lease payments related to the option to extend the lease term because it is not reasonably certain that the option will be exercised. Operating lease expense included in the statement of functional expense was \$51,485 for both the years ended June 30, 2024 and 2023, respectively. The Society has lease agreements with lease and non-lease components, which beginning in 2022, are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Beginning in 2022, the operating lease assets and liabilities were calculated using the risk-free discount rate according to the Society's elected policy for all lease agreements.

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>Operating</u>
Weighted Average Remaining Lease Term	0.75 Years
Weighted Average Discount Rate	1.04%

The maturities of lease liabilities as of June 30, 2024 are as follows:

Year-ending June 30,	<u>Operating</u>
2025	<u>\$ 38,193</u>
Total lease payments	38,193
Less: Interest	(161)
Present value of lease liabilities	<u>\$ 38,032</u>

#### NOTE H – ENDOWMENT

The Society's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### *Interpretation of Relevant Law*

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

**THE CHICAGO PHILHARMONIC SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H – ENDOWMENT (Continued)**

As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society.

*Return Objectives and Risk Parameters*

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted and Board-designated funds that the Society must hold in perpetuity or for a specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy to which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society's policy is to invest 100% of the endowment cash assets in the pooled endowment portfolio of the Fund.

*Spending Policy*

The Society's current spending policy is limited to earnings on the endowment funds. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. The Society's spending rate is limited to a maximum spending rate of 5% as determined by the Board.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

## THE CHICAGO PHILHARMONIC SOCIETY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE H – ENDOWMENT (Continued)

Changes in endowment net assets and net asset composition for the years ending June 30, 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, July 01, 2022	\$ 230,316	\$ 365,000	\$ 595,316
Investment income	50,888	-	50,888
June 30, 2023	281,204	365,000	646,204
Investment income	45,084	-	45,084
Board release	(259,000)	-	(259,000)
June 30, 2024	<u>\$ 67,288</u>	<u>\$ 365,000</u>	<u>\$ 432,288</u>

#### NOTE I – CONCENTRATION IN SUPPORT RECEIVED

The Society received approximately 37% and 51% of its revenues from Joffrey Ballet for the years ended June 30, 2024 and 2023, respectively. In the event that this revenue were to be eliminated, it is likely that the Society would need to restructure its current operations and overall business.

#### NOTE J – ACCOUNTING CHANGE

As of July 1, 2023, the Society adopted ASU 2016-13, Financial Instruments- Credit Losses (Topic 326) that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts and notes receivable. The CECL methodology is applicable to financial assets that are measured at amortized cost, including trade accounts receivable, contract assets, and notes and loans receivable. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The Society adopted the changes in accounting for credit losses using a modified retrospective method. Under the modified retrospective approach, the Society had no change to the opening balances that included the date of initial application.